

Message Text

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ACTION EB-11

INFO OCT-01 EA-11 ADP-00 AID-20 CIAE-00 COME-00 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 AGR-20 TAR-02 INT-08 STR-08

RSR-01 /124 W

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R 260240 Z APR 73

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 6610

UNCLAS JAKARTA 4866

E. O. 11652: N/ A

TAGS: EFIN, ID

SUBJ: INVESTMENT INFORMATION FOR FY 1974 FACT BOOK

REFS: A. STATE 075936

B. STATE A-1975, MARCH 6, 1973

1. WE REGRET DELAY IN REPLYING TO REF B DUE TO VERY HEAVY WORK LOAD. QUOTED BELOW IS TEXT ON INVESTMENT CLIMATE IN INDONESIA (WHICH ALSO BEING AIRPOUCHED) . ITS SIZE AND FORMAT ARE IN ACCORDANCE WITH REF B.

VERBATIM TEXT:

2. INDONESIA - NOTWITHSTANDING SOME ADMINISTRATIVE DIFFICULTIES AND REF TAPE, SINCE ALL FOREIGN INVESTMENTS MUST BE APPROVED BY THE INDONESIAN GOVERNMENT, THE CLIMATE FOR US INVESTMENT IN INDONESIA IS DEFINITELY FAVORABLE. THE FOREIGN INVESTMENT LAW OF 1967 OFFERS SEVERAL INCENTIVES: TAX HOLIDAYS, TARIFF- FREE IMPORTATION OF EQUIPMENT, TARIFF- FREE IMPORTATION OF RAW MATERIALS FOR UP TO TWO YEARS, MANAGEMENT CONTROL BY THE FOREIGN COMPANY, REPATRIATION OF CAPITAL AND DIVIDENDS IN THE ORIGINAL CURRENCY, AND PROTECTION AGAINST NATIONALIZATION. FOREIGN INVESTMENT IS PERMITTED IN MOST ECONOMIC

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SECTORS. HOWEVER, IT IS NOT ALLOWED IN: DEFENSE INDUSTRIES, PUBLIC UTILITIES, NUCLEAR ACTIVITIES, AND MASS-MEDIA. FOR SHIPPING AND AVIATION ONLY JOINT VENTURES ARE PERMITTED. BESIDES THE ABOVE, FOREIGN INVESTMENT IS DISCOURAGED IN CERTAIN MANUFACTURING INDUSTRIES, EITHER BECAUSE THE GOVERNMENT THINKS THAT THERE IS SUFFICIENT PRODUCTION CAPACITY, OR THE SECTORS ARE ALREADY ADEQUATELY COVERED BY INDONESIAN COMPANIES. HOWEVER, THE GOVERNMENT IS WILLING TO CONSIDER ADDITIONAL FOREIGN INVESTMENT IN THESE PROPOSALS SECTORS ON THEIR MERITS.

3. THE INDONESIAN GOVERNMENT HAS ADOPTED A PRACTICAL ATTITUDE REGARDING INVESTMENTS. SUCH ELEMENTS AS RAW MATERIALS AND INTERMEDIATE INPUTS, PROCUREMENT POLICIES, EXPORT GOALS, LABOR, ARE USUALLY NEGOTIATED AT THE TIME OF THE DISCUSSION OF THE INVESTMENT AGREEMENTS. UP TO NOW, THE GOVERNMENT HAS BEEN LIBERAL IN ITS INTERPRETATION OF THESE ELEMENTS. HOWEVER, THE GOVERNMENT IS ANXIOUS TO MAXIMIZE EMPLOYMENT OF INDONESIANS AND USUALLY REQUIRES THAT A TRAINING PROGRAM BE INSTITUTED BY THE FOREIGN INVESTOR AND THE GRADUAL REPLACEMENT OF EXPATRIATES TO THE EXTENT POSSIBLE.

4. MOST OF THE INDONESIAN LEADERS FROM PRESIDENT SUHARTO DOWN HAVE REPEATEDLY STATED PUBLICLY THAT FOREIGN INVESTMENTS HAVE A ROLE TO PLAY IN THE DEVELOPMENT OF INDONESIA, AND ECONOMIC DEVELOPMENT IS THE CORNERSTONE OF THE SUHARTO ADMINISTRATION POLICY. HOWEVER, DEFICIENCIES IN THE GOVERNMENT STRUCTURE (WHICH ARE A SUBJECT OF CONCERN TO THE GOVERNMENT ITSELF AS ILLUSTRATED BY A CABINET POST OF MINISTER OF ADMINISTRATIVE REFORM) DO IMPOSE A BURDEN OF TIME AND PATIENCE ON THE POTENTIAL FOREIGN INVESTOR.

5. IN ORDER TO EXPAND EMPLOYMENT OPPORTUNITIES, THE GOVERNMENT CURRENTLY FAVORS LABOR-INTENSIVE PROJECTS. HOWEVER, THIS DOES NOT INTERFERE WITH APPROVAL OF OTHERWISE SOUND FOREIGN INVESTMENTS
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SIDERED AS HELPFUL TO INDONESIA.

6. OPIC HAS AN ACTIVE POLITICAL RISK INSURANCE PROGRAM IN INDONESIA.

7. THE UNITED STATES IS BY FAR THE LARGEST FOREIGN INVESTOR IN
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INDONESIA. ITS POSITION IN THE RAPIDLY-EXPANDING PETROLEUM SECTOR IS PREDOMINANT. END VERBATIM TEXT.
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*** Current Handling Restrictions *** n/a

*** Current Classification *** UNCLASSIFIED

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 26 APR 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973JAKART04866
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Film Number: n/a
From: JAKARTA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730455/aaaajabp.tel
Line Count: 114
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: A.STATE 075936, B.STATE A-1975, MARCH 6, 1973
Review Action: RELEASED, APPROVED
Review Authority: kellerpr
Review Comment: n/a
Review Content Flags:
Review Date: 18 OCT 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <18-Oct-2001 by averetam>; APPROVED <01 MAR 2002 by kellerpr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> srp 980205
Subject: INVESTMENT INFORMATION FOR FY 1974 FACT BOOK
TAGS: EFIN, ID
To: EB
SECSTATE WASHDC
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005